

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2017

Nadine Julson, LLC

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

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Wahpeton, North Dakota

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WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

OFFICIAL DIRECTORY
June 30, 2017

President	Dan Wynn
Vice - President	Damon DeVillers
Board Member	Art Nelson
Board Member	Susan Rittenour
Board Member	Ginny Buck
Board Member	Mike Hauschild
Board Member	Jake Kubela
Board Member	Tim Weisz
Board Member	Julie VanEps
Superintendent	Rick Jacobson
Business Manager	Laura Dokken



INDEPENDENT AUDITOR'S REPORT

School Board
Wahpeton Public School District No. 37
Wahpeton, North Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wahpeton Public School District No. 37 as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wahpeton Public School District No. 37, Wahpeton, North Dakota, as of June 30, 2017, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wahpeton Public School District No. 37's basic financial statements. The official directory, combining and individual nonmajor fund financial statements, statement of receipts and disbursements - activity fund, and schedule of taxable levies and schedule of insurance in force are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and statement of receipts and disbursements - activity fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The official directory and schedule of taxable levies and schedule of insurance in force has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a reported dated December 11, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Wahpeton Public School District No. 37's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
December 11, 2017

Nadine Julson, LLC

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Wahpeton, North Dakota

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

The Management's Discussion and Analysis (MD&A) of Wahpeton Public School District No. 37's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017, with comparative data for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is an element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments. Certain comparative information between the current fiscal year and the prior year is presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2016-2017 are as follows:

The District received 99.7 % of projected general fund revenue and expended 97.5% of projected general fund expenditures, ending the fiscal year with a fund balance of \$3,512,709. As a result, the School District will begin the 2017-2018 year with a fund balance of 26% of its budget. Much, if not all, of the fund balance is used for cash flow purposes until property taxes and state foundation aid are received during the school year.

Using this Annual Report

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand Wahpeton Public School District No. 37 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's general fund with all governmental funds presented in total in one column.

Reporting on the District as a Whole

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the Wahpeton Public School District No. 37 to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2017?"

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes).

These two statements report the District's net position and changes in net position. The change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Management Discussion and Analysis - Continued

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, regular instruction, federal programs, special education, vocational education, administration, food services, operation and maintenance of buildings and grounds, student transportation, and co-curricular activities.

The government-wide financial statements can be found on pages 10-11 of this report.

Reporting on the District's Most Significant Funds

Balance Sheet - Governmental Funds

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basic financial statements allow the District to demonstrate its stewardship over the accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund, capital projects high school renovation, and debt service high school renovation are considered a "major fund."

The District's other funds, which are the capital projects, debt service special assessment, debt service zimmerman, food service, special reserve, and school improvement corporation component unit are used to account for a multitude of financial transactions and is summarized under the heading "Other Governmental Funds".

The basic governmental fund financial statements can be found on pages 12-15 of this report.

In addition, the School District has the following fund types:

Proprietary Fund

This fund accounts for medical insurance claims provided to other departments on a cost-reimbursement basis.

The basic proprietary fund financial statements can be found on page 16-18 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Wahpeton Public School District No. 37's own programs.

The basic fiduciary fund financial statements can be found on page 19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-42 of this report.

The combining statements referred to earlier in connection with non-major government funds can be found on pages 47-48 of this report.

Financial Analysis of the District as a Whole

Table I provides a summary of the District's net position as of June 30, 2017 and 2016. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Wahpeton Public School District No. 37, net position increased by \$1,090,295 for the year ending June 30, 2017.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Management Discussion and Analysis - Continued

The District's net position at June 30, 2017 is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net positions are available to meet the District's ongoing obligations.

Table I
Net Position
June 30,

	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets	\$ 14,044,714	\$ 17,434,462
Capital Assets (net of depreciation)	37,752,178	34,785,450
Deferred Outflows of Resources	<u>3,928,753</u>	<u>2,870,240</u>
Total Assets and Deferred Outflows of Resources	55,725,645	55,090,152
Liabilities and Deferred Inflows of Resources		
Current Liabilities	1,930,618	2,659,912
Long-term Liabilities	50,498,299	50,434,267
Deferred Inflows of Resources	<u>636,115</u>	<u>425,655</u>
Total Liabilities and Deferred Inflows of Resources	53,065,032	53,519,834
Net Position		
Net Investment in Capital Assets	2,087,846	(2,062,120)
Restricted	9,563,617	12,597,542
Unrestricted	<u>(8,990,850)</u>	<u>(8,965,104)</u>
Total Net Position	<u>\$ 2,660,613</u>	<u>\$ 1,570,318</u>

Table II shows the changes in net position for the fiscal years ended June 30, 2017 and 2016.

Table II
Changes in Net Position
For the Years Ended June 30,

	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 293,690	\$ 281,455
Operating Grants and Contributions	1,594,368	1,547,217
General Revenues		
Property Taxes	4,576,760	4,393,207
State Aid - Unrestricted	11,191,927	10,924,630
Interest and Miscellaneous Earnings	170,760	336,710
Gain on Sale	<u>234,598</u>	<u>-</u>
Total Revenues	<u>\$ 18,062,103</u>	<u>\$ 17,483,219</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Management Discussion and Analysis - Continued

	<u>2017</u>	<u>2016</u>
Expenses		
Regular Instruction	\$ 8,519,676	\$ 9,747,518
Special Instruction	2,208,192	2,168,141
Vocational Instruction	536,089	394,695
Pupil Services	1,410,590	1,369,166
General Administration Services	473,402	493,250
School Administration Services	175,848	153,681
Operation and Maintenance	1,316,296	1,393,710
Pupil Transportation	477,344	561,485
Student Activities	637,336	640,806
School Food Services	715,768	661,507
Interest and Other Charges	<u>501,267</u>	<u>490,011</u>
Total Expenses	<u>16,971,808</u>	<u>18,073,970</u>
Change in Net Position	<u>\$ 1,090,295</u>	<u>\$ (590,751)</u>

Unrestricted state aid constituted 62.0%, property tax 25.3%, operating grants and contributions 8.8% and charges for services made 1.6% of the total revenues of governmental activities of the District for the fiscal year June 30, 2017.

Regular instruction constituted 50.2%, special instruction 13.0%, pupil services 8.3%, operation and maintenance 7.8%, and school food services 4.2% of total expenditures for governmental activities during the fiscal year June 30, 2017.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III
Total and Net Cost of Services
For the Years Ended June 30,

	<u>Total Cost</u>		<u>Net Cost</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Regular Instruction	8,519,676	9,747,518	7,993,364	9,221,263
Special Instruction	2,208,192	2,168,141	1,784,907	1,745,392
Vocational Instruction	536,089	394,695	536,089	394,695
Pupil Services	1,410,590	1,369,166	1,410,590	1,369,166
General Administration Services	473,402	493,250	473,402	493,250
School Administration Services	175,848	153,681	175,848	153,681
Operation and Maintenance	1,316,296	1,393,710	1,316,296	1,393,710
Pupil Transportation	477,344	561,485	219,910	312,715
Student Activities	637,336	640,806	637,336	378,315
School Food Services	715,768	661,507	34,741	293,100
Interest and Other Charges	<u>501,267</u>	<u>490,011</u>	<u>501,267</u>	<u>490,011</u>
Total Expenses	<u>\$ 16,971,808</u>	<u>\$ 18,073,970</u>	<u>\$ 15,083,750</u>	<u>\$ 16,245,298</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Management Discussion and Analysis - Continued

Financial Analysis of the Government's Funds

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District's governmental funds had total revenue of \$17,807,440 and expenditures of \$20,830,839 for the year ended June 30, 2017. The unassigned fund balance of the District's general fund was \$3,492,908.

General Fund Budgetary Highlights

During the year, revenues were less than budgetary estimates by \$50,654, expenditures were less than budgetary estimates by \$369,545, and ending fund balance was more than budgetary estimates by \$390,677. The District received less in per pupil aid and transportation revenue than anticipated. Positive budget variances resulted from employee terminations that were not refilled and lower than expected costs for health insurance benefits. Additional vocational instructors were also added, resulting in a negative budget variance.

Additional information on the Wahpeton Public School District No. 37 budget can be found in Note 2 of the audited financial statements that follow this analysis.

Capital Assets

As of June 30, 2017, the Wahpeton Public School District No. 37 had \$37,752,178 invested in capital assets. Table IV shows the balances at June 30, 2017 and 2016.

Table IV
Capital Assets
 (Net of Accumulated Depreciation)
 June 30,

	2017	2016
Land	\$ 650,843	\$ 154,000
Construction in Progress	-	20,924,275
Buildings and Improvements	36,589,834	13,152,542
Vehicles	511,501	554,633
Total Capital Assets (net of accumulated depreciation)	<u>37,752,178</u>	<u>34,785,450</u>

This total represents a net decrease of \$2,966,728 in capital assets from the prior fiscal year. The District finished construction on various projects that upgraded facilities, demolished old facilities, and sold facilities no longer in use. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 12 of the audited financial statements that follow this analysis.

Debt Administration

As of June 30, 2017, the Wahpeton Public School District No. 37 had 35,664,332 of total debt a decrease of \$1,183,238 from the previous fiscal year.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Management Discussion and Analysis - Continued

Table V
Outstanding Debt
 June 30,

	Total Outstanding		Due Within One Year	
	2017	2016	2017	2016
General Obligation Bonds	\$ 26,351,912	\$ 27,702,143	\$ 1,420,187	\$ 1,350,231
Notes Payable	9,084,440	8,904,781	221,519	15,116
Bond Premium - Unamortized	227,980	240,646	12,666	12,666
Total Outstanding Debt	35,664,332	36,847,570	1,654,372	1,378,013

For additional information regarding the outstanding debt, readers are referred to Note 16 of the audited financial statements that follow this analysis.

For the Future

The Wahpeton Public School District No. 37 has shown declining student enrollment in recent years. The following table reflects the fall enrollment for the 2016-2017 and the preceding four years.

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Enrollment	1,243	1,237	1,237	1,227	1,187

The General Fund ending balance from 2015-2016 to 2016-2017 shows a 11% increase partially due to the fact the District cut approximately \$430,000 from its 2017-2018 budget due to future decreases in revenue from the State of North Dakota for foundation aid and transportation.

Technology, energy costs (electricity and fuel) special education and health insurance will likely continue to consume large portions of the budget. The District continues to experience positive growth in total taxable valuation and does not anticipate a reduction. Substantial increases should not be expected or counted on.

Contacting the Districts Financial Management

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of the Wahpeton Public School District No. 37's finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in Wahpeton Public School District No. 37. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Laura Dokken at 1021 11th Street North Wahpeton, North Dakota, 58075, 701-642-6741.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF NET POSITION
June 30, 2017

ASSETS	
Current Assets	
Cash and Investments	\$ 7,103,697
Restricted Cash	225,662
Accounts Receivable	3,070
Due from County	211,716
Due from Federal Government	174,118
Inventory	8,831
Notes Receivable	6,121,800
Taxes Receivable	<u>191,717</u>
Total Current Assets	14,040,611
Capital Assets	
Non-depreciable	
Land	650,843
Depreciable, net of accumulated depreciation	
Buildings and Improvements	36,589,834
Vehicles and Equipment	<u>511,501</u>
Total Capital Assets	<u>37,752,178</u>
Total Assets	51,792,789
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension	<u>3,928,753</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 55,721,542</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 42,086
Salaries and Benefits Payable	6,167
Interest Payable	176,390
Accrued Management Fee Payable	17,500
Current Portion of Long-term Debt:	
General Obligation Bonds Payable	1,420,187
Notes Payable	221,519
Bond Premium - Unamortized	12,666
Early Retirement Payable	<u>30,000</u>
Total Current Liabilities	1,926,515
Due After One Year:	
General Obligation Bonds Payable	24,931,725
Notes Payable	8,862,921
Bond Premium - Unamortized	215,314
Net Pension Liability	<u>16,488,339</u>
Total Liabilities	52,424,814
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension	<u>636,115</u>
Total Liabilities and Deferred Inflows of Resources	53,060,929
NET POSITION	
Net Investment in Capital Assets	2,087,846
Restricted	9,563,617
Unrestricted (Deficit)	<u>(8,990,850)</u>
Total Net Position	<u>\$ 2,660,613</u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Regular Instruction	\$ 8,519,676	\$ 24,106	\$ 502,206	\$ (7,993,364)
Special Instruction	2,208,192	-	423,285	(1,784,907)
Vocational Instruction	536,089	-	-	(536,089)
Pupil Services	1,410,590	-	-	(1,410,590)
General Administration Services	473,402	-	-	(473,402)
School Administration Services	175,848	-	-	(175,848)
Operation and Maintenance	1,316,296	-	-	(1,316,296)
Pupil Transportation	477,344	-	257,434	(219,910)
Student Activities	637,336	-	-	(637,336)
School Food Services	715,768	269,584	411,443	(34,741)
Interest and Other Charges	501,267	-	-	(501,267)
Total Governmental Activities	<u>\$ 16,971,808</u>	<u>\$ 293,690</u>	<u>\$ 1,594,368</u>	<u>(15,083,750)</u>
General Revenues:				
Taxes:				
				2,221,331
				2,021,944
				333,485
				11,191,927
				4,658
				234,598
				166,102
				16,174,045
				1,090,295
				2,051,090
				(480,772)
				\$ 2,660,613

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	Capital Projects HS Reno	Debt Service HS Reno	Other Governmental Funds	
ASSETS					
Cash and Investments	\$ 3,244,170	\$ -	\$ 2,535,291	\$ 628,851	\$ 6,408,312
Restricted Cash	-	-	-	225,662	225,662
Accounts Receivable	764	-	-	2,306	3,070
Due from County	99,824	-	90,605	21,287	211,716
Due from Federal Government	174,118	-	-	-	174,118
Due from Other Funds	-	-	-	4,103	4,103
Inventory	-	-	-	8,831	8,831
Notes Receivable	-	6,121,800	-	-	6,121,800
Taxes Receivable	91,441	-	82,158	18,118	191,717
Total Assets	<u>\$ 3,610,317</u>	<u>\$ 6,121,800</u>	<u>\$ 2,708,054</u>	<u>\$ 909,158</u>	<u>\$ 13,349,329</u>
LIABILITIES					
Salaries and Benefits Payable	6,167	-	-	-	6,167
Due to Other Funds	-	-	-	4,103	4,103
Total Liabilities	6,167	-	-	4,103	10,270
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	91,441	-	82,158	18,118	191,717
Total Liabilities and Deferred Inflows of Resources	97,608	-	82,158	22,221	201,987
FUND BALANCE					
Nonspendable	-	6,121,800	-	8,831	6,130,631
Restricted	19,801	-	2,625,896	480,637	3,126,334
Committed	-	-	-	287,566	287,566
Assigned	-	-	-	112,700	112,700
Unassigned	3,492,908	-	-	(2,797)	3,490,111
Total Fund Balances	<u>3,512,709</u>	<u>6,121,800</u>	<u>2,625,896</u>	<u>886,937</u>	<u>13,147,342</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,610,317</u>	<u>\$ 6,121,800</u>	<u>\$ 2,708,054</u>	<u>\$ 909,158</u>	<u>\$ 13,349,329</u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total Fund Balance - Governmental Funds \$ 13,147,342

Total net position reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	45,149,358	
Less Accumulated Depreciation	<u>(7,397,180)</u>	
Net Capital Assets		37,752,178

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds. 191,717

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.

Interest Payable	(176,390)	
Accrued Management Fee Payable	(17,500)	
General Obligation Bonds Payable	(26,351,912)	
Notes Payable	(9,084,440)	
Bond Premium - Unamortized	(227,980)	
Early Retirement Payable	(30,000)	
Pension Liability (net of related deferred outflows and inflows)	<u>(13,195,701)</u>	
Total Long-term Liabilities		(49,083,923)

Internal service funds are used by the school to charge the costs of health insurance to departments. The assets and liabilities of internal service funds are included in the governmental activities in the statement of net position. 653,299

Net Position of Governmental Activities \$ 2,660,613

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	Capital Projects HS Reno	Debt Service HS Reno	Other Governmental Funds	
REVENUES					
Local Sources	\$ 2,192,906	\$ -	\$ 1,920,642	\$ 808,514	\$ 4,922,062
State Sources	11,449,361	-	-	7,079	11,456,440
Federal Sources	925,491	-	-	404,364	1,329,855
Interest Income	513	546	2,991	558	4,608
Miscellaneous	94,475	-	-	-	94,475
Total Revenues	14,662,746	546	1,923,633	1,220,515	17,807,440
EXPENDITURES					
Current					
Regular Instruction	7,419,055	-	-	-	7,419,055
Special Instruction	2,142,877	-	-	-	2,142,877
Vocational Instruction	535,542	-	-	-	535,542
Pupil Services	1,409,571	-	-	-	1,409,571
General Administration Services	465,321	-	-	-	465,321
School Administration Services	167,767	-	-	-	167,767
Operation and Maintenance	1,160,541	419	-	70,475	1,231,435
Pupil Transportation	470,797	-	-	-	470,797
Student Activities	577,384	-	-	-	577,384
School Food Services	-	-	-	680,839	680,839
Debt Service					
Principal	-	-	1,220,829	149,743	1,370,572
Interest and Other Charges	-	-	439,277	104,397	543,674
Capital Outlay					
Facilities Acquisition and Construction	-	2,850,938	-	965,067	3,816,005
Total Expenditures	14,348,855	2,851,357	1,660,106	1,970,521	20,830,839
Excess (Deficiency) of Revenues over Expenditures	313,891	(2,850,811)	263,527	(750,006)	(3,023,399)
OTHER FINANCING SOURCES (USES)					
Debt Proceeds	-	-	-	200,000	200,000
Sale of Fixed Assets	-	-	-	259,598	259,598
Operating Transfer In	76,786	-	-	4,340	81,126
Operating Transfer Out	-	(4,340)	-	(76,786)	(81,126)
Total Other Financing Sources (Uses)	76,786	(4,340)	-	387,152	459,598
NET CHANGE IN FUND BALANCE	390,677	(2,855,151)	263,527	(362,854)	(2,563,801)
FUND BALANCE, BEGINNING OF YEAR	3,122,032	8,976,951	2,362,369	1,249,791	15,711,143
FUND BALANCE, END OF YEAR	\$ 3,512,709	\$ 6,121,800	\$ 2,625,896	\$ 886,937	\$ 13,147,342

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2017

Net Change in Fund Balance - Total Governmental Funds \$ (2,563,801)

The change in net position reported for governmental activities in the Statement of Activities is different because:

Repayment of debt principal and capital lease payable is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statements of net position. 1,370,572

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net decrease in early retirement payable	42,000	
Net increase in pension liability	(675,576)	
Net decrease in interest payable	<u>29,741</u>	
		(603,835)

Governmental funds report debt proceeds as current financial resources. The Statement of Activities treats such issuance of bonds payable as a liability. (200,000)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and asset disposals in the current year. 2,966,728

Some revenues reported on the Statement of Activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of an increase in taxes receivable. 36,288

Internal service funds are used by the school to charge the costs of health insurance to departments. The net revenue of activities of the internal service is reported with governmental activities. 71,677

Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issues, whereas these amounts are deferred and amortized in the statement of activities. Annual amortization of bond issue premium and bond issuance costs are included in the statement of activities but not in the governmental funds. 12,666

Changes in Net Position of Governmental Activities \$ 1,090,295

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2017

	<u>Internal Service Fund</u>
ASSETS	
Cash- Checking Account	\$ 695,385
LIABILITIES	
Accounts Payable	<u>42,086</u>
NET POSITION	
Unrestricted	<u>\$ 653,299</u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUND
Year Ended June 30, 2017

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Contribution to Self-Insurance	\$ 1,778,741
OPERATING EXPENSES	
Claims Expense	1,611,416
Administrative Fees and Other	<u>95,698</u>
Total Operating Expenses	<u>1,707,114</u>
Operating Income	71,627
NONOPERATING INCOME	
Interest Income	<u>50</u>
CHANGE IN NET POSITION	71,677
NET POSITION, BEGINNING OF YEAR	<u>581,622</u>
NET POSITION, END OF YEAR	<u><u>\$ 653,299</u></u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2017

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received From User Charges	\$ 1,778,741
Payments for Health Insurance Claims	<u>(1,685,038)</u>
Net Cash Provided by Operating Activities	93,703
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>50</u>
Net Increase in Cash and Cash Equivalents	93,753
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>601,632</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 695,385</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 71,627
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Increase in Accounts Payable	<u>22,076</u>
Net Cash Provided by Operating Activities	<u><u>\$ 93,703</u></u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and Investments	\$ <u>301,432</u>
Total Assets	\$ <u><u>301,432</u></u>
LIABILITIES	
Due to Groups	\$ <u>301,432</u>
Total Liabilities	\$ <u><u>301,432</u></u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Wahpeton, North Dakota

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wahpeton Public School District No. 37 Wahpeton, North Dakota (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the activities of the Wahpeton Public School District No. 37. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Wahpeton Public School District No. 37 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Wahpeton Public School District No. 37.

Based on these criteria, there is one component units to be included within the Wahpeton Public School District No. 37 as a reporting entity.

Blended Component Unit - Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Wahpeton School Improvements Corporation - The Wahpeton School Improvements Corporation was formed for the purposes of joint enterprise and cooperative activity consisting of improvement, expansion, renovation, remodeling and construction of two education facilities in the city of Wahpeton, North Dakota. The Superintendent, Business Manager and School Board President are the Wahpeton School Improvements Corporation's Board and they make the operating and financing decisions of the Corporation. The Corporation's only activity is a lease of real property located in Wahpeton, ND to one tenant, the District. Thus, the entity was included as a blended component unit of the School District in a separate special revenue fund.

Complete financial statements of the blended component unit may be obtained from the Business Manager, Wahpeton Public School District No. 37, 1021 11th Street North, Wahpeton, North Dakota 58075.

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Wahpeton Public School District No. 37). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government- wide financial statements do not include fiduciary funds.

Fund financial statements - The fund financial statements provide information about the District's funds including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values.

Non-operating revenues, such as subsidies and investment earnings, results from non-exchange transaction or ancillary activities.

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - Used to account for all financial resources restricted, committed, or assigned to expenditure for acquisition or construction of capital assets.

Debt Service Fund - Used to account for all financial resources restricted, committed, or assigned to expenditure for principal and interest.

Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds

a. *Capital Projects Fund* - Used to account for all financial resources restricted, committed, or assigned to expenditure for acquisition or construction of capital assets.

b. *Debt Service Funds* - Used to account for all financial resources restricted, committed, or assigned to expenditure for principal and interest.

c. *Special Revenue Funds* - Used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

d. *School Improvements Corporation* - This fund consists of the Wahpeton School Improvement Corporation which is a blended component unit.

The District also reports the following fund types:

1. Proprietary Funds

a. *Internal Service Fund* - This fund accounts for medical insurance provided to other departments on a cost-reimbursement basis.

2. Fiduciary Funds

a. *Agency Funds* - These funds account for assets held by the District in a custodial capacity as an agent on behalf of others. The District's agency funds are used to account for various deposits of the student activity funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements - The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

Government Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or more. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

Investments consist of certificates of deposits stated at cost with maturities greater than three months.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for operating, asset management fees, loan interest, audit and tax, and construction disbursement.

E. Inventories

Inventory consists of food service supplies not consumed as of June 30, 2017 reported in the food service fund. Reported inventories net of deferred revenue are offset by a fund balance reserve to indicate they do not constitute "available spendable resources" even though they are a component of net current assets.

F. Capital Assets

Capital assets include land, building and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	20-75
Playground equipment	20
School busses	15-20
Other vehicles	10
Improvements	10-40

G. Vacation Pay, Sick Pay, Severance

The expenditures for vacation pay are recognized when payment is made. The superintendent is the only individual allowed to carry-over unused vacation days, therefore the amount is not deemed to be material. Employees are not compensated for unused sick pay or severance pay upon termination.

H. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

I. Fund Balances and Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

<u>CLASSIFICATION</u>	<u>DEFINITION</u>	<u>EXAMPLES</u>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Nonspendable Fund Balance

Nonspendable fund balances consist of inventory in the special revenue food service fund and long-term receivable in the capital projects fund.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

Restricted Fund Balance

Special Reserve Fund

Funds used for special uses as restricted by state law. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District. Restricted by enabling legislation and tax levy.

Capital Project Funds

Funds used for capital asset acquisition or expenditures. Restricted by enabling legislation, tax levy, and bond indenture.

Debt Service Funds

Funds used for the payment of principal and interest. Restricted by enabling legislation, tax levy, and bond indenture.

Committed Fund Balance

School Improvement Corporation

Amounts committed by the board for payment of debt service and capital projects of the blended component unit.

Assigned Fund Balance

Food Service Fund

Restricted state and federal resources are spent first and reimbursed by each year-end. Any remaining fund balance is normally left in the food service fund at each year-end, but may be spent at the discretion of the business manager (authority given from the governing board). Assigned by federal and state reimbursements for free and reduced meals and grants.

Unassigned Fund Balance

Consists of the amount reported in the General Fund at year-end and negative fund balance in the Debt Service Zimmerman Fund.

Net Position

Wahpeton Public School District No. 37 implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2013.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes. Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the District's ongoing obligations.

J. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR's and NDPERS fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed appropriations for the year ended June 30, 2017.

NOTE 3 - DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designed by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end June 30, 2017, the District's carrying amounts of deposits was \$7,329,359 and the bank balances were \$8,260,547. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. The remaining bank balances except for the School Improvement Corporation were collateralized with securities held by pledging financial institution's agent in the government's name (see footnote 4).

Credit Risk:

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- d) Obligations of the state.

As of June 30, 2017, the District held no certificates of deposit.

Interest Rate Risk:

The District does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

Concentration of Credit Risk:

The District does not have a limit on the amount it may invest in any one issuer.

NOTE 4 - RESTRICTED CASH - COMPONENT UNIT

As of June 30, 2017, the Wahpeton School Improvement Corporation's restricted cash consist of \$225,662 in the CDE FEE Reserve account.

Concentration of Credit Risk

The Wahpeton School Improvement Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on these accounts.

NOTE 5 - TAXES RECEIVABLE

The taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authority. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts for accrued interest and amounts on open account from other school districts and organizations for goods and services furnished by the District. No allowance has been established for uncollectible accounts.

NOTE 7 - DUE FROM COUNTY TREASURER

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after June 30, 2017.

NOTE 8 - DUE FROM CHASE NMTC

As a result of the financing structure used to fund the improvement, expansion, renovation, remodeling and construction of Wahpeton Elementary and High Schools, the District borrowed \$6,121,800 to Chase NMTC Wahpeton Investment Fund, LLC. This arrangement was necessary to facilitate the new market tax credits used to finance part of the construction costs. The promissory note carries an annual interest rate of 1.429%. Accrued interest on the note is payable annually on December 1. The entire outstanding principal balance plus all accrued and unpaid interest is due and payable on the maturity date of the note (December 1, 2039).

An investment fund put and call agreement was entered into on February 28, 2014 relating to this note. On the seventh anniversary date of this note, the District has the right and option to purchase NMTC's interest in the note receivable.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

NOTE 9 - DUE FROM FEDERAL GOVERNMENT

The amount due from federal government consists of a reimbursement claim for various Title Programs. This claim is passed through the state.

NOTE 10 - DUE TO/FROM OTHER FUNDS

The due to and from other funds as of June 30, 2017 represents amounts

Fund	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Capital Projects - Building	\$ 4,103	\$ -
Debt Service - Special Assessment	<u>-</u>	<u>4,103</u>
Totals	<u>\$ 4,103</u>	<u>\$ 4,103</u>

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The District has posted a prior period adjustment to its June 30, 2016 financial statements to properly record debt issuance costs. The net effect of this prior period adjustment was a decrease in intangible assets and a decrease in net position of \$480,772 on the statement of activities.

NOTE 12 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 154,000	\$ 496,843	\$ -	\$ 650,843
Construction in Progress	<u>20,924,275</u>	<u>-</u>	<u>(20,924,275)</u>	<u>-</u>
Total Capital Assets, not being depreciated	21,078,275	496,843	(20,924,275)	650,843
Capital Assets, being depreciated:				
Buildings and Improvements	18,977,581	24,243,437	(191,118)	43,029,900
Vehicles and Equipment	<u>1,442,165</u>	<u>26,450</u>	<u>-</u>	<u>1,468,615</u>
Total Capital Assets, being depreciated	20,419,746	24,269,887	(191,118)	44,498,515
Less Accumulated Depreciation for:				
Buildings and Improvements	5,825,039	781,145	(166,118)	6,440,066
Vehicles and Equipment	<u>887,532</u>	<u>69,582</u>	<u>-</u>	<u>957,114</u>
Total Accumulated Depreciation	6,712,571	850,727	(166,118)	7,397,180
Total Capital Assets Being Depreciated, Net	<u>13,707,175</u>	<u>23,419,160</u>	<u>(25,000)</u>	<u>37,101,335</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,785,450</u>	<u>\$ 23,916,003</u>	<u>\$ (20,949,275)</u>	<u>\$ 37,752,178</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Regular Instruction	\$ 467,045
Special Instruction	65,315
Vocational Instruction	547
Pupil Services	1,019
General Administration Services	8,081
School Administration Services	8,081
Operation and Maintenance	172,761
Pupil Transportation	32,997
Student Activities	59,952
School Food Services	<u>34,929</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 850,727</u>

NOTE 13 - ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at June 30, 2017 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

NOTE 14 - EARLY RETIREMENT PROGRAM

The District has established an early retirement program to provide an opportunity for certain employees who may desire to retire early from the service of the District, but who may or may not have reached the normal retirement age. Employees who have met the early retirement criteria, as established by the District, may make an application at any time before March 1 of the calendar year in which the person plans to retire. The School Board will act on early retirement requests no later than April 15, of that same year. The Board's decision will be final.

The amount of early retirement benefit is based on a schedule of years of eligibility. The payment due to the retiree will be paid out over a period not to exceed two installments. The liability as of June 30, 2017 for these benefits was \$30,000.

NOTE 15 - INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds, specials, and leases) outstanding as of June 30, 2017.

NOTE 16 - LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in liabilities reported in long-term liabilities:

<u>Governmental Activities:</u>					
	Long-term Debt Payable at July 1, 2016	Increases	Decreases	Long-term Debt Payable at June 30, 2017	Due Within One Year
General Obligation Bonds Payable	\$ 27,702,143	\$ -	\$ (1,350,231)	\$ 26,351,912	\$ 1,420,187
Notes Payable	114,781	200,000	(20,341)	294,440	221,519
Bond Premium	<u>240,646</u>	<u>-</u>	<u>(12,666)</u>	<u>227,980</u>	<u>12,666</u>
Totals	<u>\$ 28,057,570</u>	<u>\$ 200,000</u>	<u>\$ (1,383,238)</u>	<u>\$ 26,874,332</u>	<u>\$ 1,654,372</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

Outstanding debt at June 30, 2017, are comprised of the following individual issues:

1. General Obligation Bonds:

- A. General Obligation State School Construction Fund Bonds dated January 22, 2014. From an original issuance of \$20,000,000, at an interest rate of 1.00%, \$16,311,912 remains outstanding. The principal and interest are payable through June 1, 2033.
- B. General Obligation State School Building Bonds dated April 4, 2013. From an original issuance of \$880,000, at rates ranging from .55% to .78%, \$630,000 remains outstanding. The principal and interest are payable through August 1, 2023.
- C. General Obligation School Building Bonds, Series 2015 dated November 2, 2015. From an original issuance of \$9,695,000, at rates ranging from 2.00% to 3.00%, \$9,410,000 remains outstanding. The principal and interest are payable through August 1, 2035.

2. Notes Payable

- A. Contract for deed at an interest rate of 6%, due in quarterly payments of \$6,685 including interest through July 1, 2021, \$94,473 remains outstanding.
- B. \$325,000 line of credit with bank, \$125,033 remaining credit, dated May 12, 2017 with a maturity date of June 10, 2018. Variable interest rate based on changes in the fixed rate quoted by Lender for successive 1 month LIBOR Interest Periods. The rate at June 30, 2017 was 3.14%.

3. Bond Premium

- A. Bond premium associated with General Obligation School Building Bonds, Series 2015 dated November 2, 2015. From an original issuance of \$253,212 being amortized through August 1, 2035, \$227,980 remains outstanding.

The debt service requirements are as follows:

\$20,000,000 General Obligation State School Construction Fund Bonds

(Dated January 22, 2014, due annually to June 1, 2033)

(Interest paid annually on June 1st)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2018	1.00%	\$ 945,187	\$ 163,119	\$ 1,108,306
2019	1.00%	954,639	153,667	1,108,306
2020	1.00%	964,185	144,121	1,108,306
2021	1.00%	973,827	134,479	1,108,306
2022	1.00%	983,566	124,741	1,108,307
2023-2027	1.00%	5,067,344	474,187	5,541,531
2028-2032	1.00%	5,325,830	215,702	5,541,532
2033	1.00%	<u>1,097,334</u>	<u>10,973</u>	<u>1,108,307</u>
		<u>\$ 16,311,912</u>	<u>\$ 1,420,989</u>	<u>\$ 17,732,901</u>

The bonds are subject to redemption at the option of the District in whole or in part, and if in part, in inverse order of principal installments, on any date, at a price equal to the principal amount thereof to be redeemed, plus accrued interest.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**Notes to Financial Statements - Continued****\$880,000 General Obligation School Building Bonds, Series 2013**

(Dated April 4, 2013, due serially to August 1, 2023)
 (Interest paid semiannually on February 1st and August 1st)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2018	1.00%	\$ 90,000	\$ 7,883	\$ 97,883
2019	1.00%	85,000	7,121	92,121
2020	1.00%	85,000	6,271	91,271
2021	1.00%	90,000	5,846	95,846
2022	1.00%	90,000	4,586	94,586
2023-2024	1.00%	<u>190,000</u>	<u>3,325</u>	<u>193,325</u>
		<u>\$ 630,000</u>	<u>\$ 35,032</u>	<u>\$ 665,032</u>

Bonds are not subject to optional redemption prior to their stated maturities.

\$9,695,000 General Obligation School Building Bonds, Series 2015

(Dated November 2, 2015, Due serially to August 1, 2035)
 (Interest paid semiannually on February 1st and August 1st)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2018	3.00%	\$ 385,000	\$ 257,725	\$ 642,725
2019	3.00%	395,000	246,025	641,025
2020	3.00%	410,000	233,950	643,950
2021	3.00%	420,000	221,500	641,500
2022	3.00%	430,000	208,750	638,750
2023-2027	2.00-3.00%	2,335,000	876,239	3,211,239
2028-2032	2.50-3.00%	2,635,000	561,094	3,196,094
2033-2036	3.00-3.25%	<u>2,400,000</u>	<u>152,017</u>	<u>2,552,017</u>
		<u>\$ 9,410,000</u>	<u>\$ 2,757,300</u>	<u>\$ 12,167,300</u>

Bonds maturing on August 1, 2024 and thereafter are subject to optional redemption on August 1, 2021 and any date thereafter at a price of par plus accrued interest to the redemption date.

Bus Building Loan

(Dated July 1, 2011, due quarterly payments thru July 1, 2021)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2018	6.00%	\$ 21,552	\$ 5,189	\$ 26,741
2019	6.00%	22,875	3,867	26,742
2020	6.00%	24,278	2,464	26,742
2021	6.00%	<u>25,768</u>	<u>974</u>	<u>26,742</u>
		<u>\$ 94,473</u>	<u>\$ 12,494</u>	<u>\$ 106,967</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

Component Unit	Long-term Debt Payable at July 1, 2016	Increases	Decreases	Long-term Debt Payable at June 30, 2017	Due Within One Year
Notes Payable	\$ 8,790,000	\$ -	\$ -	\$ 8,790,000	\$ -

Note A1 – 1% note payable with accrued interest due annually on December 5, 2014 through December 5, 2021. Commencing on December 5, 2022 and annually thereafter payments of interest in the amount of \$242,183 until the maturity date. The Maturity date is the earlier of December 1, 2043 or earlier as determined by the loan documents. The borrower may not prepay the note prior to the seventh anniversary of the note date.

\$ 4,761,400

Note B1 - 1% note payable with accrued interest due annually on December 5, 2014 through December 5, 2021. Commencing on December 5, 2022 and annually thereafter payments of principal and interest in the amount of \$103,182 until the maturity date. The maturity date is the earlier of December 1, 2043 or earlier as determined by the loan documents. The borrower may not prepay the note prior to the seventh anniversary of the note date.

2,028,600

Note A2 - 1% note payable with accrued interest due annually on December 5, 2014 through December 5, 2021. Commencing on December 5, 2022 and annually thereafter payments of principal and interest in the amount of \$69,195 until the maturity date. The maturity date is the earlier of December 1, 2043 or earlier as determined by the loan documents. The borrower may not prepay the note prior to the seventh anniversary of the note date.

1,360,400

Note B2 - 1% note payable with accrued interest due annually on December 5, 2014 through December 5, 2021. Commencing on December 5, 2022 and annually thereafter payments of principal and interest in the amount of \$32,532 until the maturity date. The maturity date is the earlier of December 1, 2043 or earlier as determined by the loan documents. The borrower may not prepay the note prior to the seventh anniversary of the note date.

639,600

\$ 8,790,000

Annual minimum principal payments on the notes payable are as follows:

Year Ending June 30	Principal
2018	\$ -
2019	-
2020	-
2021	-
2022	359,192
Thereafter	<u>8,430,808</u>
	<u>\$ 8,790,000</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

NOTE 17 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of \$191,717. Deferred inflows of resources on the statement of net position consist of related pension expense of \$636,115.

NOTE 18 - DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of \$3,928,753.

NOTE 19 - RISK MANAGEMENT

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage and \$250,990 for public assets coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$2,000,000 million per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the year ended June 30, 2017, claims in the amount of \$5,615 were filed for unemployment benefits.

The School District has also established a self-funded employee welfare benefit plan. A service contract has been entered into for the year ending June 30, 2017, with a company to provide administrative services and stop-loss insurance coverage. Stop-loss coverages are based on claims incurred during the contract period and paid during or after the same 12-month period. The individual stop-loss maximum is \$30,000 per member per year and the aggregate stop-loss maximum is 120% of expected claims.

The basis for estimating unpaid claims at year end is to view claims filed with the service company after year-end. Reconciliation in the change of accrued claims liability is as follows:

Balance July 1, 2016	\$	20,010
Incurred Claims		1,707,114
Payment on Claims		<u>(1,685,038)</u>
Balance June 30, 2017	\$	<u>42,086</u>

NOTE 20 - PENSION PLANS

North Dakota Teacher's Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-Grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every government body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Re-funded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$15,112,734 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2016 the District's proportion was 1.031544 percent which was a decrease of .033018 percent from its proportion measured as of June 30, 2015.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**Notes to Financial Statements - Continued**

For the year ended June 30, 2017, the District recognized pension expenses of \$1,336,874. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,377	\$ 71,555
Changes in assumptions	1,262,350	-
Net difference between projected and actual investment earnings	1,256,278	414,685
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	<u>857,228</u>	<u>-</u>
Totals	<u>\$ 3,447,233</u>	<u>\$ 486,240</u>

\$857,228 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	394,280
2019	394,280
2020	701,255
2021	509,057
2022	171,873
Thereafter	(66,980)

Actuarial assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

Inflation	2.75%
Salary increases	4.75% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for TFFR.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- . Investment return assumption lowered from 8.00% to 7.75%.
- . Inflation assumption lowered from 3.00% to 2.75%.
- . Total salary scales rates lowered by 0.25% due to lower inflation.
- . Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- . Rates of turnover and retirement were changed to better reflect anticipated future experience.
- . Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	7.30%
Global Fixed Income	23%	0.88%
Global Real Assets	18%	5.32%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 19,602,352	\$ 15,112,734	\$ 11,373,307

Pension plan fiduciary net position

Detailed information is located in the North Dakota Retirement and Investments Office’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. Additional financial and actuarial information is available on their website, www.nd.gov/rio, or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

General Information about the NDPERS Pension Plan

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multi-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death, and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the member's accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and ages. Member contribution rates are 7% and employer contribution rates 7.12% of covered compensation.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

The member’s account balance includes the vested employer contributions equal to the member’s contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$1,375,605 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the District’s proportion was .141146 percent, which was a decrease of .139090 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$171,788. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,665	\$ 12,737
Changes in assumptions	126,813	68,340
Net difference between projected and actual investment earnings	191,917	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,451	68,798
Employer contributions subsequent to the measurement date	<u>128,674</u>	<u>-</u>
Totals	<u>\$ 481,520</u>	<u>\$ 149,875</u>

\$128,674 reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	35,762
2019	35,762
2020	77,628
2021	45,831
2022	7,987
Thereafter	-

Actuarial assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scales, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 1,951,270	\$ 1,375,605	\$ 890,578

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial report for the fiscal year ended June 30, 2016. The supporting actuarial information is included in the June 30, 2016, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers, or may be obtained by contacting the agency at North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 21 - JOINT VENTURE

B. Southeast Region Career and Technology Center

Formed for the purpose of providing vocational services to the member school districts. The Co-op's governing board is composed of eight representatives from the member school districts, who are school board members. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

NOTE 22 - NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the year ended June 30, 2017 was \$43,753.

NOTE 23 - TRANSFERS

The following is a summary of transfers for the year ended June 30, 2017:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 76,786	\$ -
Capital Projects - Building	4,340	-
Capital Projects - HS Renovation	-	(4,340)
Special Revenue - Special Reserve	-	(76,786)
Totals	<u>\$ 81,126</u>	<u>\$ (81,126)</u>

The transfer from the special reserve fund to the general fund was made to cover declining funds from state sources. The transfer between the capital projects funds was made to close out a checking account.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements - Continued

NOTE 24 - FUND BALANCE DEFICIT

The following funds reported a fund balance deficit for the year ended June 30, 2017:

Fund	<u>Deficit</u>
Debt Service - Special Assessment	(2,797)

The deficit is a result of prior year expenditures in excess of revenues.

NOTE 25 - CONCENTRATIONS

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

NOTE 26 - RELATED PARTY ARRANGEMENTS

As a condition of the financing arrangement used by the District and its component unit, the Wahpeton School Improvement Corporation, relating to the improvement, expansion, renovation, remodeling and reconstruction of two educational facilities (Project), the following lease arrangements were entered into during the year ended June 30, 2017:

- A. *Ground Lease* - On February 28, 2014 the District entered into a ground lease agreement with the Corporation for the Project, pursuant to which the District leased the Project to the Corporation. Pursuant to the ground lease, the Corporation agreed to pay the District rent in the amount of \$2,668,500. The amount was paid in a lump sum on February 28, 2014. The term of the ground lease is sixty-five years from February 28, 2014 through December 1, 2079. The Corporation accounts for the lease as a capital lease.

- B. *Sublease* - On February 28, 2014 the District entered into a lease agreement (the "sublease") with the Corporation for the Project, pursuant to which the Corporation subleased the Project to the District. Pursuant to the lease, the District pays annual base rent in varying amounts to the Corporation in arrears on the first day of December of each calendar year. The terms of this lease shall commence on the date of its execution and shall continue for the original term ending December 1, 2014, with an automatic extension of the term of this lease, unless specifically rejected by the governing body of the District (in each case, a "Renewal Term"), of one year from the expiration of the original term of this lease and for one year from the expiration of each Renewal Term of this lease, until the original term of this lease has been extended through December 1, 2043, (the "Lease Term"). The Corporation accounts for the sublease as an operating lease.

The future minimum lease payments due from the District are as follows:

Year ended June 30:	
2018	\$ 90,000
2019	90,000
2020	90,000
2021	90,000
2022	90,000
Thereafter	<u>11,255,000</u>
	<u>\$ 11,705,000</u>

NOTE 27 - MANAGEMENT FEE

Asset Management Fee-Component Unit – Pursuant to the second amended and restated engagement agreement between the District and Dakotas America, LLC (“DA”), the corporation is required to pay DA an annual asset management fee of 0.5% of the qualified equity investment made in Dakota XV. As of June 30, 2017, accrued asset management fees were \$17,500.

NOTE 28 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 11, 2017, the date on which the financial statements were available to be issued.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**Wahpeton, North Dakota****BUDGETARY COMPARISON SCHEDULE - GENERAL FUND****For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 2,149,243	\$ 2,149,243	\$ 2,192,906	\$ 43,663
State Sources	11,571,344	11,571,344	11,449,361	(121,983)
Federal Sources	937,197	937,197	925,491	(11,706)
Interest Income	616	616	513	(103)
Miscellaneous	55,000	55,000	94,475	39,475
Total Revenues	14,713,400	14,713,400	14,662,746	(50,654)
EXPENDITURES				
Current				
Regular Instruction	7,658,164	7,658,164	7,419,055	239,109
Special Instruction	2,318,216	2,318,216	2,142,877	175,339
Vocational Instruction	466,191	466,191	535,542	(69,351)
Pupil Services	1,386,119	1,386,119	1,409,571	(23,452)
General Administration Services	480,226	480,226	465,321	14,905
School Administration Services	149,923	149,923	167,767	(17,844)
Operation and Maintenance	1,176,399	1,176,399	1,160,541	15,858
Pupil Transportation	481,993	481,993	470,797	11,196
Student Activities	601,169	601,169	577,384	23,785
Total Expenditures	14,718,400	14,718,400	14,348,855	369,545
Excess of Revenues over Expenditures	(5,000)	(5,000)	313,891	318,891
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	5,000	5,000	76,786	71,786
NET CHANGE IN FUND BALANCE	\$ -	\$ -	390,677	\$ 390,677
FUND BALANCE, BEGINNING OF YEAR			3,122,032	
FUND BALANCE, END OF YEAR			\$ 3,512,709	

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Wahpeton, North Dakota

PENSION SCHEDULES

For the Year Ended June 30, 2017

Schedule of Employer's Share of Net Pension Liability
ND Teacher's Fund for Retirement (TFFR)
Last 10 Fiscal Years*

	2017	2016	2015
District's proportion of the net pension liability (asset)	1.031544 %	1.064563 %	1.074754 %
District's proportionate share of the net pension liability (asset)	15,112,734	13,922,942	11,261,517
District's covered-employee payroll	6,702,203	6,548,180	6,234,148
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	59.20 %	62.10 %	66.60 %

Schedule of Employer Contributions
ND Teacher's Fund for Retirement (TFFR)
Last 10 Fiscal Years*

	2017	2016	2015
Statutorily required contribution	854,531	834,853	670,164
Contributions in relation to statutorily required contribution	(854,531)	(834,853)	(670,164)
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	6,702,203	6,548,180	6,234,148
Contributions as a percentage of covered-employee payroll	12.75 %	12.75 %	10.75 %

*Complete data for these schedules is not available prior to 2015.

**The measurement date of the net pension liability is June 30th of the prior year.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Pension Schedules - Continued

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.141146 %	0.153205 %	0.150735 %
District's proportionate share of the net pension liability (asset)	1,375,605	1,041,768	956,747
District's covered-employee payroll	1,422,423	1,364,873	1,269,764
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71 %	76.33 %	75.35 %
Plan fiduciary net position as a percentage of the total pension liability	70.46 %	77.15 %	77.70 %

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2017	2016	2015
Statutorily required contribution	102,981	103,673	90,407
Contributions in relation to statutorily required contribution	(108,677)	(105,652)	(90,407)
Contribution deficiency (excess)	(5,696)	(1,979)	-
Employer's covered-employee payroll	1,422,423	1,364,873	1,269,764
Contributions as a percentage of covered-employee payroll	7.64 %	7.74 %	7.12 %

*Complete data for these schedules is not available prior to 2015.

**The measurement date of the net pension liability is June 30th of the prior year.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The School Board adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Business Manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end

NOTE 2 - NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT CHANGES OF ASSUMPTIONS

Investment amounts reported in June 30, 2017 reflect the following actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by .25% due to inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NOTE 3 - NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES OF ASSUMPTIONS

Amounts reported in June 30, 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Wahpeton, North Dakota

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

June 30, 2017

	Capital Projects Building	Debt Service Special Assessment	Debt Service Zimmerman	Special Revenue Food Service	Special Revenue Special Reserve	School Improvements Corporation	Totals
ASSETS							
Cash and Investments	\$ 24,261	\$ -	\$ 324,993	\$ 110,394	\$ 107,299	\$ 61,904	\$ 628,851
Restricted Cash	-	-	-	-	-	225,662	225,662
Accounts Receivable	-	-	-	2,306	-	-	2,306
Due from County	15,612	1,306	2,868	-	1,501	-	21,287
Due from Other Funds	4,103	-	-	-	-	-	4,103
Inventory	-	-	-	8,831	-	-	8,831
Taxes Receivable	14,142	-	2,705	-	1,271	-	18,118
Total Assets	<u>\$ 58,118</u>	<u>\$ 1,306</u>	<u>\$ 330,566</u>	<u>\$ 121,531</u>	<u>\$ 110,071</u>	<u>\$ 287,566</u>	<u>\$ 909,158</u>
LIABILITIES							
Due to Other Funds	-	4,103	-	-	-	-	4,103
Total Liabilities	-	4,103	-	-	-	-	4,103
DEFERRED INFLOWS OF RESOURCES							
Deferred Revenue	14,142	-	2,705	-	1,271	-	18,118
Total Liabilities and Deferred Inflows of Resources	14,142	4,103	2,705	-	1,271	-	22,221
FUND BALANCE							
Nonspendable	-	-	-	8,831	-	-	8,831
Restricted	43,976	-	327,861	-	108,800	-	480,637
Committed	-	-	-	-	-	287,566	287,566
Assigned	-	-	-	112,700	-	-	112,700
Unassigned	-	(2,797)	-	-	-	-	(2,797)
Total Fund Balances	<u>43,976</u>	<u>(2,797)</u>	<u>327,861</u>	<u>121,531</u>	<u>108,800</u>	<u>287,566</u>	<u>886,937</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 58,118</u>	<u>\$ 1,306</u>	<u>\$ 330,566</u>	<u>\$ 121,531</u>	<u>\$ 110,071</u>	<u>\$ 287,566</u>	<u>\$ 909,158</u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Wahpeton, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS - COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**

Year Ended June 30, 2017

	Capital Projects	Debt Service Special Assessment	Debt Service Zimmerman	Special Revenue Food Service	Special Revenue Special Reserve	School Improvements Corporation	Total Governmental Funds
REVENUES							
Local Sources	\$ 330,671	\$ 27,779	\$ 60,649	\$ 269,584	\$ 31,931	\$ 87,900	\$ 808,514
State Sources	-	-	-	7,079	-	-	7,079
Federal Sources	-	-	-	404,364	-	-	404,364
Interest Income	21	-	149	-	82	306	558
Total Revenues	330,692	27,779	60,798	681,027	32,013	88,206	1,220,515
EXPENDITURES							
Current							
Operation and Maintenance	23,448	-	-	-	-	47,027	70,475
School Food Services	-	-	-	680,839	-	-	680,839
Debt Service							
Principal	64,743	-	85,000	-	-	-	149,743
Interest and Other Charges	7,533	-	8,964	-	-	87,900	104,397
Capital Outlay							
Facilities Acquisition and Construction	965,067	-	-	-	-	-	965,067
Total Expenditures	1,060,791	-	93,964	680,839	-	134,927	1,970,521
Excess (Deficiency) of Revenues over Expenditures	(730,099)	27,779	(33,166)	188	32,013	(46,721)	(750,006)
OTHER FINANCING SOURCES (USES)							
Debt Proceeds	200,000	-	-	-	-	-	200,000
Sale of Fixed Assets	259,598	-	-	-	-	-	259,598
Operating Transfer In	4,340	-	-	-	-	-	4,340
Operating Transfer Out	-	-	-	-	(76,786)	-	(76,786)
Total Other Financing Sources (Uses)	463,938	-	-	-	(76,786)	-	387,152
NET CHANGE IN FUND BALANCE	(266,161)	27,779	(33,166)	188	(44,773)	(46,721)	(362,854)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	310,137	(30,576)	361,027	121,343	153,573	334,287	1,249,791
FUND BALANCE (DEFICIT), END OF YEAR	\$ 43,976	\$ (2,797)	\$ 327,861	\$ 121,531	\$ 108,800	\$ 287,566	\$ 886,937

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**Wahpeton, North Dakota****STATEMENT OF RECEIPTS AND DISBURSEMENTS - ACTIVITY FUND****Year Ended June 30, 2017**

<u>Account</u>	<u>Balance July 1, 2016</u>	<u>Net Increase/(Decrease)</u>	<u>Balance June 30, 2017</u>
HIGH SCHOOL			
Mark Werre Scholarship	2,197	(500)	1,697
Track Fundraiser	1,886	2,360	4,246
Athletics	126,226	(865)	125,361
Alumni Association	2,154	-	2,154
Cheerleaders	1,090	(545)	545
Science Club	68	-	68
Student Council	853	(407)	446
Thespians	4,007	(3,434)	573
Cross Country Fundraiser	626	(357)	269
HS Box Tops	38	(38)	-
EDC Cross Country	161	-	161
Project Graduation '15	1,151	-	1,151
HS World Language	835	(326)	509
Speech Fund	233	-	233
Food Vending Machine	(1,018)	1,893	875
Band/Choir Trip	759	-	759
Bremer Scholarship	500	-	500
Football Fund	1,272	(1,060)	212
Art Club	31	-	31
Project Graduation '16	1,730	(491)	1,239
Band Account	1,995	-	1,995
National Art Honor Society	167	81	248
Boys Golf Fund	63	15	78
JO VB Berg Scholarship Fund	-	500	500
Juice Machines	1,459	(167)	1,292
Boys BB Fundraiser	1,420	(153)	1,267
MIP Class	285	-	285
Girls BB Fundraiser	1,382	57	1,439
Close Up	258	-	258
Swing Choir	1,766	63	1,829
Volleyball Fundraiser	741	1,821	2,562
Forensics Fundraiser	334	-	334
Tennis Fundraiser	522	(226)	296
Project Graduation '14	844	(70)	774
Centennial Scholarship Fund	17,749	78	17,827
Peer Counseling	201	-	201
HS DECA	-	(679)	(679)
Dance Line	460	-	460
Jack Pfister Memorial	240	-	240
Project Lead the Way	11,053	(10,988)	65
HS ATM	-	(211)	(211)
HS Project Graduation '17	-	2,459	2,459
EDC Volleyball	794	1,235	2,029
EDC Baseball	1,164	-	1,164
Music Camps	1,865	(400)	1,465
Girls Golf Fund	1	6	7

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Statement of Receipts and Disbursements - Activity Fund - Continued

Stadium/Track Maint. Fund	29,412	2,641	32,053
Vet Memorial Fund	814	-	814
Track Clock Fundraiser	296	-	296
DECA	230	(230)	-
Booster Club Scholarships	-	2,500	2,500
HS Faculty Account	1,443	(196)	1,247
Boys Hockey Fundraiser	216	-	216
HS School Store	-	3,910	3,910
HS AP Test	42	42	84
Golf Fundraiser	(35)	-	(35)
EDC Track	252	-	252
Class of '14	1,430	-	1,430
HS Concession Stand	3,207	351	3,558
Baseball Fundraiser	1,228	(62)	1,166
Casual Friday	1,478	1,670	3,148
EDC Wrestling	92	-	92
Woapanin 2007	3,178	(1,007)	2,171
Wa-Hi 2007	3,974	-	3,974
High School Store	3,910	(3,910)	-
Class B State Golf	350	-	350
Class of '15	254	-	254
Lefse - HS Athletics	27	-	27
Flag Memorial	64	-	64
Regional Gymnastics	103	-	103
Clark Williams Scholarship	200	-	200
Project Graduation '13	1,000	(500)	500
Prom 2014 & Beyond	1,185	(1,131)	54
MIDDLE SCHOOL			
Activity Fund	20,244	2,014	22,258
Band Fund	137	-	137
Student Council	552	264	816
Target Fund	798	(200)	598
Middle School Fundraiser	1,147	3,418	4,565
Middle School Band Fund	435	42	477
Middle School Choir Fund	886	-	886
Yearbooks	1,935	(17)	1,918
Juice Machines	33	-	33
8th Grade Field Trip	137	(137)	-
Middle School Book Fair	1,868	734	2,602
Make a Sound Choice	3,444	-	3,444
Choir (7/8) Tuning Forks	17	82	99
Jr. Honor Society	42	(27)	15
Science Field Trip	296	-	296
ELEMENTARY			
5th Grade Music Program	18	-	18
Recorders	210	(210)	-
Technology Fundraiser	2,740	(500)	2,240
Student Council	8,057	(358)	7,699
ZE Box Tops	1,878	(354)	1,524
ZE Mondays with Moms	241	(69)	172
ZE Technology	1,447	663	2,110
Special Education Donation	3,329	(715)	2,614

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Statement of Receipts and Disbursements - Activity Fund - Continued

Target Fund	183	(64)	119
Watch D.O.G.S	60	(60)	-
Box Tops	464	410	874
Music Donation	180	-	180
Activities	6,173	(477)	5,696
Yearbook	-	(22)	(22)
Pencil Fund	2,464	(1,393)	1,071
Preschool Playground Project	239	-	239
Labels for Learning	87	-	87
Peer Mediators	1,231	(1,231)	-
Jump Rope for Heart	1	(1)	-
VFW Clothing Fund	110	-	110
Line-Cargill Donation	90	(90)	-
Shoe Rescue	43	(37)	6
Medical Donation	268	(52)	216
Literacy Event	632	62	694
	<u>306,028</u>	<u>(4,596)</u>	<u>301,432</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

SCHEDULE OF TAXABLE LEVIES
Year Ended June 30, 2017

<u>Fund</u>	<u>Amount of Tax Levied</u>	<u>Tax Rate in Mills</u>
General Fund	2,096,527	64.97
Sinking and Interest	1,956,802	60.64
Building	322,692	10.00
	<u>\$ 4,376,021</u>	<u>\$ 135.61</u>

SCHEDULE OF INSURANCE IN FORCE
Year Ended June 30, 2017

Comprehensive General Liability	
Per Occurrence	\$ 2,000,000
Medical	2,500
Board of Education Liability	2,000,000
Boiler and Machinery	
\$1,000 Deductible	31,720,312
Building and Contents	
\$1,000 Deductible - ND State Fire and Tornado	54,959,927
Commercial Blanket Bond	2,000,000
Automobile Coverage	
Liability	2,000,000
Uninsured/Underinsured per person	100,000
Mororis Coverage per Occurrence	300,000

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through North Dakota Department of Public Instruction:			
School Breakfast Program (Note 3,4)	10.553	N/A	73,760
National School Lunch Program (Note 3,4)	10.555	N/A	243,561
Commodity Assistance for Schools (Note 3,4)	10.555	N/A	<u>43,753</u>
Total Child Nutrition Cluster			361,074
Fresh Fruits and Vegetables Program	10.582	N/A	<u>43,290</u>
Total U.S. Department of Agriculture			404,364
U.S. DEPARTMENT OF EDUCATION:			
Title 1 - Grants to LEA's (Note 4)	84.010	N/A	392,572
Title IIA - Teacher Principal Quality Training	84.367	N/A	109,634
Passed through North Dakota Department of Public Instruction:			
IDEA, Part B Special Education	84.027	N/A	416,480
IDEA, Part B Special Education - Preschool	84.173	N/A	<u>6,805</u>
Total Special Education Cluster			423,285
Total U.S. Department of Education			<u>925,491</u>
Total Expenditures of Federal Awards			<u><u>1,329,855</u></u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wahpeton Public School District No. 37 under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wahpeton Public School District No. 37, it is not intended to and does not present the financial position or changes in net position of Wahpeton public School District No. 37.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – CASH VALUE RECEIVED

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash value received rather than federal expenditures.

NOTE 4 - MAJOR PROGRAM

This represents a major federal financial assistance program.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board
Wahpeton Public School District No. 37
Wahpeton, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wahpeton Public School District No. 37, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Wahpeton Public School District No. 37's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wahpeton Public School District No. 37's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wahpeton Public School District No. 37's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2017-001 and 2017-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wahpeton Public School District No. 37's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

District's Response to Findings

Wahpeton Public School District No. 37's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Wahpeton Public School District No. 37's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
December 11, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

School Board
Wahpeton Public School District No. 37
Wahpeton, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Wahpeton Public School District No. 37's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Wahpeton Public School District No. 37's major federal programs for the year ended June 30, 2017. Wahpeton Public School District No. 37's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Wahpeton Public School District No. 37's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wahpeton Public School District No. 37's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Wahpeton Public School District No. 37's compliance.

Opinion on Each Major Federal Program

In our opinion, the Wahpeton Public School District No. 37 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Wahpeton Public School District No. 37 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Wahpeton Public School District No. 37's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wahpeton Public School District No. 37's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
December 11, 2017

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Report Issued: Unmodified

Internal Control Over Financial Reporting

Material weakness identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified not considered to be material weaknesses?		Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?		Yes	<u> X </u>	No

Federal Awards

Internal Control Over Major Program

Material weakness identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified?		Yes	<u> X </u>	None Reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?	<u> </u>	Yes	<u> X </u>	No
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CFDA Number(s)	Name of Program or Cluster
84.010	Title I, Grants to Local Agencies, (LEA's)
	CHILD NUTRITION CLUSTER
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodity Assistance for Schools

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee	<u> </u>	Yes	<u> X </u>	No
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SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 LACK OF SEGREGATION OF DUTIES

Criteria

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

Condition

As part of obtaining reasonable assurance about whether Wahpeton Public School District No. 37's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the District's financial condition whether due to error or fraud.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding.

2017-002 MATERIAL JOURNAL ENTRIES

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Schedule of Findings and Questioned Costs - Continued

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

There is no disagreement with the audit finding.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Prior Financial Statement Findings:

2016-01

A material weakness was reported for a lack of segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2017-001.